

**AUDITED FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION**

**UPPER CUMBERLAND REGIONAL AIRPORT  
SPARTA, TENNESSEE**

**For the Year Ended  
June 30, 2016**

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## **INTRODUCTORY SECTION**

**UPPER CUMBERLAND REGIONAL AIRPORT  
ROSTER OF AIRPORT OFFICIALS  
June 30, 2016**

**Board of Directors:**

**Title**

Randy Wallace	Chairman
Bennett Jared	Secretary-Treasurer
Denny Robinson	
Robert Berger	
Charles Green	
Lanny Dunn	
Ricky Shelton	

**Management:**

**Title**

Jason Baker	Manager
Tibet Dycus	Accountant

## **FINANCIAL SECTION**

# **ALBERT R. DICUS**

*Certified Public Accountant*

*Member: AICPA; TSCPA*

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Sparta, Tennessee 38583

## **INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
Upper Cumberland Regional Airport  
Sparta, Tennessee

### **Report on the Financial Statements**

I have audited the accompanying financial statements of the Upper Cumberland Regional Airport as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Airport's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of

accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### ***Opinion***

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Upper Cumberland Regional Airport as of June 30, 2016, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 9 through 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other information***


My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Upper Cumberland Regional Airport's basic financial statements. The information described as the "Introductory Section" and the "Other Financial Information" in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The information described as the “Other Financial Information” in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information described as “Other Financial Information” in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The information described as the “Introductory Section” has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated June 30, 2016 on my consideration of the Upper Cumberland Regional Airport’s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Upper Cumberland Regional Airport’s internal control over financial reporting and compliance.



Certified Public Accountant

Sparta, Tennessee  
March 31, 2017



**UPPER CUMBERLAND REGIONAL AIRPORT**  
**750 Airport Road**  
**Sparta, Tennessee 38583**  
**931-739-7000**

Randy Wallace, Chairman  
Denny Robinson  
Lanny Dunn

Bennett Jared, Sec-Treasurer

Robert Berger  
Charles Green  
Ricky Shelton

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the financial statements allows management an opportunity to discuss and analyze the financial condition of the Upper Cumberland Regional Airport (UCRA) Summary financial statement data, key financial and operational indicators used in UCRA's budget, bond resolutions and other management tools were used for this analysis. This information should be read in conjunction with the accompanying financial statements and report of the independent auditor, Albert R. Dicus, CPA.

## SUMMARY OF ORGANIZATION AND BUSINESS

The Upper Cumberland Regional Airport was established on April 2, 1993 to provide for joint ownership and management of the existing Sparta-White County Airport, in equal shares, by the Cities of Sparta and Cookeville and the Counties of White and Putnam.

The Airport is governed by a seven member Board of Commissioners. The governing body of each participating governmental entity appoints one member. The fifth and sixth members will be chief executive officers of the participating governmental entities, who will serve, in rotation, for two year, overlapping terms. The seventh member is by the T-Hanger Association, subject to the approval of the other members of the board.

The Airport's capital assets consist primarily of the Airport's land, runways, hangers and buildings.

The Airport receives financial support from each of the participating governments in equal amounts. In addition, the Airport's construction projects are generally financed by grants from the Federal Aviation Administration and State Department of Transportation. These grants generally require local matching funds ranging from 5% to 50%, depending on the grant. The Airport also receives reimbursement from the State for certain repair and maintenance expenses up to 50% of the total expenditures, not to exceed a predetermined amount. For the fiscal year ending June 30, 2016, the maximum reimbursement amount was \$25,740.

The Airport, itself, has no taxing authority. The Airport's revenues are derived from hanger rent and fuel sales.

## THE ANNUAL FINANCIAL STATEMENTS

The financial statements report information about UCRA using the full accrual accounting method as utilized by similar business activities in the private sector.

The financial statements include a statement of net position; a statement of revenues, expenses, and changes in net position; a statement of cash flows; and notes to the financial statements. The statement of net position presents the financial position of UCRA on a full accrual basis of accounting. While the statement of net position provides information about the nature and amount of resources and obligations at year-end, the statement of revenues, expenses and changes in net position presents the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. The statement also provides certain information about UCRA's recovery of its costs. UCRA's t-hangar rental rates are established by the Board of Commissioners based on changes in the industry and needs of the airport.

The statement of cash flows presents changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about UCRA's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

The following comparative condensed financial statements and other selected information provides key financial data and indicators for management, monitoring, and planning.

**UPPER CUMBERLAND REGIONAL AIRPORT  
CONDENSED STATEMENTS OF NET POSITION  
JUNE 30, 2016 and JUNE 30, 2015**

<b>ASSETS</b>	<b>2016</b>	<b>2015</b>	<b>Variance</b>	
			<b>Amount</b>	<b>%</b>
Current Assets	\$ 925,171.25	\$ 817,499.80	\$ 107,671.45	13.17%
Capital Assets	14,385,499.72	14,944,355.12	(558,855.40)	-3.74%
<b>TOTAL ASSETS</b>	<b>\$ 15,310,670.97</b>	<b>\$ 15,761,854.92</b>	<b>\$ (451,183.95)</b>	<b>-2.86%</b>
<b>LIABILITIES</b>				
Current Liabilities	\$ 29,071.87	\$ 89,138.00	\$ (60,066.13)	-67.39%
<b>TOTAL LIABILITIES</b>	<b>29,071.87</b>	<b>89,138.00</b>	<b>(60,066.13)</b>	<b>-67.39%</b>
<b>NET POSITION</b>				
Net investment in				
capital assets	\$ 14,384,999.72	\$ 14,899,284.67	\$ (514,284.95)	-3.45%
Restricted	130,114.70	70,266.07	59,848.63	85.17%
Unrestricted	766,484.68	703,166.18	63,318.50	9.00%
<b>TOTAL NET POSITION</b>	<b>\$ 15,281,599.10</b>	<b>\$ 15,672,716.92</b>	<b>\$ (391,117.82)</b>	<b>-2.50%</b>

**UPPER CUMBERLAND REGIONAL AIRPORT**  
**CONDENSED STATEMENTS OF REVENUES, EXPENSES & CHANGE IN NET POSITION**  
**FOR THE YEARS ENDED JUNE 30, 2016 and JUNE 30, 2015**

			<b>Variance</b>	
	<b>2016</b>	<b>2015</b>	<b>Amount</b>	<b>%</b>
<b>Operating revenues:</b>				
State reimbursement	\$ 25,740.00	\$ 25,740.00	\$ -	0.00%
Rental income	158,351.40	146,202.26	12,149.14	8.31%
Fuel Sales	440,037.59	497,812.38	(57,774.79)	-11.61%
Miscellaneous income	2,591.63	3,588.64	(997.01)	-27.78%
Total Operating Revenue	\$ 626,720.62	\$ 673,343.28	\$ (46,622.66)	-6.92%
<b>Non-operating revenues:</b>				
Interest income	368.47	345.80	22.67	6.56%
Loss on sale of wetlands mitigation sites	(102,220.88)		(102,220.88)	100.00%
<b>Total Revenues</b>	<b>\$ 524,868.21</b>	<b>\$ 673,689.08</b>	<b>\$ (148,820.87)</b>	<b>-22.09%</b>
<b>Operating expenses:</b>				
Airport Operations	\$ 582,991.30	\$ 654,950.75	\$ (71,959.45)	-10.99%
General and Administrative and Other	39,969.96	35,026.38	4,943.58	14.11%
Depreciation	441,167.35	429,167.88	11,999.47	2.80%
<b>Total Expenses</b>	<b>1,064,128.61</b>	<b>1,119,145.01</b>	<b>(55,016.40)</b>	<b>-4.92%</b>
<b>Decrease in Net Position</b>				
<b>Before Capital Contributions</b>	<b>\$ (539,260.40)</b>	<b>\$ (445,455.93)</b>	<b>\$ (93,804.47)</b>	<b>21.06%</b>
<b>Capital contributions:</b>				
Contributions from participating governments	112,000.00	112,000.00	-	0.00%
Grant income	36,142.58	825,715.63	(789,573.05)	100.00%
<b>Decrease in Net Position</b>	<b>\$ (391,117.82)</b>	<b>\$ 492,259.70</b>	<b>\$ (883,377.52)</b>	<b>-179.45%</b>
Net position at July 1	15,672,716.92	15,180,457.22	492,259.70	3.24%
<b>Net Position at June 30</b>	<b>\$ 15,281,599.10</b>	<b>\$ 15,672,716.92</b>	<b>\$ (391,117.82)</b>	<b>-2.50%</b>

## FINANCIAL ANALYSIS

UCRA's financial condition remained strong at year-end with adequate liquid assets and a reasonable level of unrestricted net assets. UCRA continues to have no outstanding debt. Management believes the following information presented is important to understand the financial statements:

- Total assets at year-end were \$15,310,671 and exceeded liabilities (net position) by \$15,281,599. Of the total net assets, \$766,485 was unrestricted and available to support short-term operations.
- Total assets decreased from 2015 to 2016 by \$451,184 (-2.86%) and net position decreased \$391,118 (-2.50%). Unrestricted net assets increased by \$63,318 (9.00%).
- There was a increase in current assets from 2015 of \$107,671 (13.17%).
- There was \$36,143 in capital grant income in 2016 as compared to \$825,716 in capital grant income in 2015.
- UCRA receives financial assistance from the state and federal government by way of grants for improvements and general maintenance as well as from all four participating governments for matching funds of grants and general operating expenses.

## Results of Operations

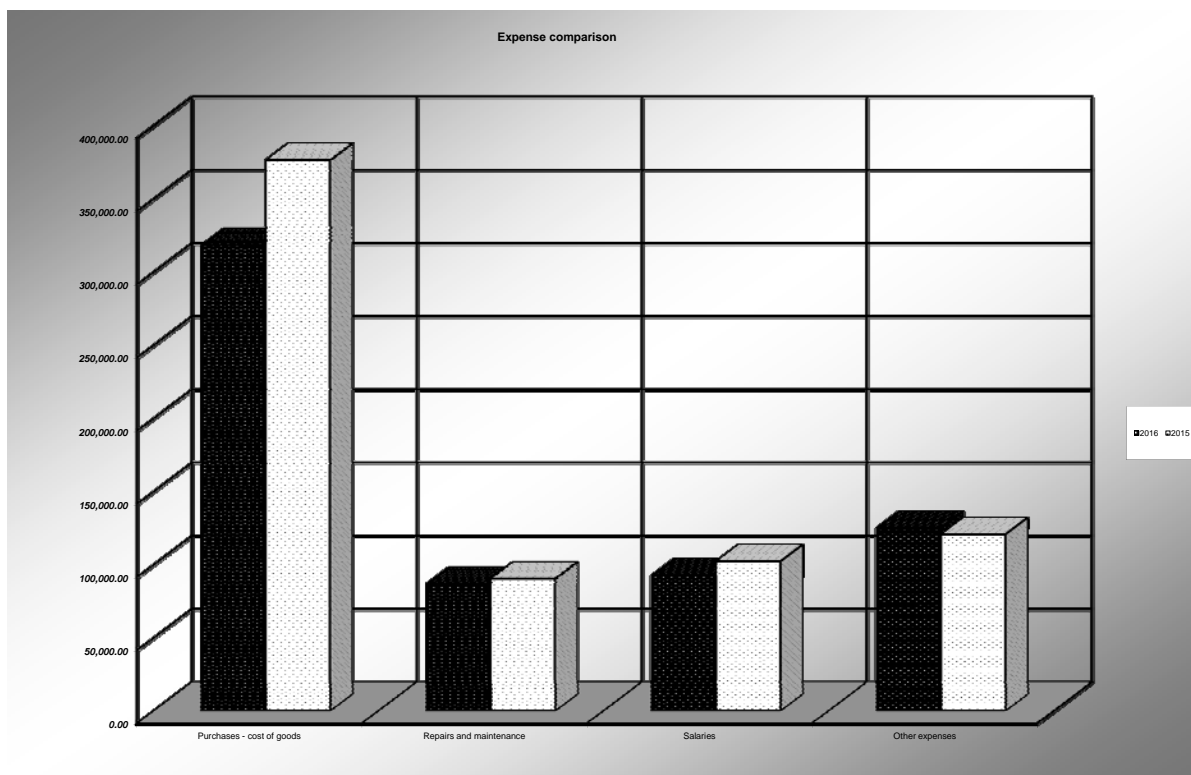
Revenues from operations fall into three general categories: hanger rental, fuel sales, and state repair/maintenance reimbursement.

- UCRA's hangar rental rates remained the same in fiscal year 2016.
- Operating revenues were \$626,721, a decrease of \$46,623 or -6.92%, from 2015. The majority of decrease was in fuel sales due to lower prices for fuel. The airport did not sponsor an air show in fiscal year 2015 or 2016.

Upper Cumberland Regional Airport  
Management's Discussion and Analysis  
Page Six

- Operating expenses before depreciation decreased by \$67,016, a decrease of -9.71% compared to 2015. This was a result of decreases in:

	<u>2016</u>		<u>2015</u>		<u>Difference</u>
Purchases - cost of goods	\$ 318,377	\$	376,603	\$	(58,226)
Repairs and maintenance	86,942		90,452		(3,509)
Salaries	92,577		102,222		(9,645)
Other expenses	125,065		120,700		4,365
<b>Total</b>	<b>\$ 622,961</b>	<b>\$</b>	<b>689,977</b>	<b>\$</b>	<b>(67,016)</b>



Depreciation expense increased by \$11,999 or 2.80%.

- Operating loss for the year was \$437,408, \$8,394 less than 2015.

### **Capital Contributions**

UCRA receives financial support from each of the four participating governments. For the year ended June 30, 2016, the Airport received \$28,000 from each government, totaling \$112,000 for operating expenses. In addition, the Airport received \$36,143 in federal and state assistance for capital improvements.

### **CAPITAL ASSETS**

There was a net decrease of \$558,855 (-3.74%) in capital assets. More detailed information about UCRA's capital activity is described in Note C in the accompanying notes to the financial statements.

### **DEBT**

At June 30, 2016, UCRA had no long-term debt.

### **GENERAL TRENDS AND SIGNIFICANT EVENTS**

Occupancy of T-hangar rentals remained near 100% capacity during the year.

### **CONTACTING UCRA**

The financial report is designed to provide our customers, creditors and regulatory agencies with a general overview of the Airport's finances. If you have any questions about this report or need additional information, you may contact the Airport at:

Upper Cumberland Regional Airport  
750 Airport Road  
Sparta, TN 38583  
(931) 739-7000

## **BASIC FINANCIAL STATEMENTS**



**UPPER CUMBERLAND REGIONAL AIRPORT****STATEMENT OF NET POSITION****June 30, 2016****ASSETS****CURRENT ASSETS**

Cash - Note B		\$	740,734.95
Cash - restricted - Note B			127,404.50
Cash deposited with the state			2,710.20
Accounts receivable			9,721.59
Accounts receivable - State			5,299.02
Prepaid expenses			3,218.07
Inventory			36,082.92
			<hr/>
		\$	925,171.25

**NONCURRENT ASSETS**

Capital assets in service - at cost - Note C	\$	19,869,588.95	
Less accumulated depreciation		(5,484,089.23)	<hr/>
			14,385,499.72
			<hr/>
		\$	15,310,670.97

**LIABILITIES****CURRENT LIABILITIES**

Accounts payable - trade		\$	24,367.23
Accounts payable - capital assets			500.00
Tennessee sales tax payable			1,843.27
Accrued and withheld payroll taxes			2,361.37
			<hr/>

**TOTAL LIABILITIES**    \$    29,071.87**NET POSITION**

Net investment in capital assets	\$	14,384,999.72	
Restricted for capital activity		130,114.70	
Unrestricted		766,484.68	<hr/>
			15,281,599.10

**TOTAL LIABILITIES AND NET POSITION**    \$    15,310,670.97

See the notes to financial statements.

**UPPER CUMBERLAND REGIONAL AIRPORT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**Year ended June 30, 2016**

**Operating revenues:**

State repair and maintenance reimbursement	\$ 25,740.00
Rental income (net of bad debts, \$2,295.00)	158,351.40
Fuel sales	440,037.59
Miscellaneous income	<u>2,591.63</u>

**TOTAL OPERATING REVENUE** \$ 626,720.62

**Operating expenses:**

Utilities	\$ 39,571.90	
Telephone	14,707.00	
Repairs and maintenance	86,942.35	
Professional fees	4,000.00	
Insurance	27,198.00	
Purchases - cost of goods	318,376.55	
Accounting	10,800.00	
Office expense	7,264.51	
Salaries	92,577.05	
Payroll taxes	7,554.09	
Depreciation expense	441,167.35	
Credit card processing fees	10,771.36	
Miscellaneous	<u>3,198.45</u>	<u>1,064,128.61</u>

**OPERATING LOSS** \$ (437,407.99)

**Non-operating revenues (expenses):**

Interest income	\$ 368.47	
Loss on sale of wetlands mitigation sites	<u>(102,220.88)</u>	<u>(101,852.41)</u>

**DECREASE IN NET POSITION**  
**BEFORE CAPITAL CONTRIBUTIONS** \$ (539,260.40)

Contributions from participating governments	\$ 112,000.00	
Capital grants	<u>36,142.58</u>	<u>148,142.58</u>

**DECREASE IN NET POSITION** \$ (391,117.82)

Net position at July 1, 2015	<u>15,672,716.92</u>
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**NET POSITION AT JUNE 30, 2016** \$ 15,281,599.10

See the notes to financial statements.

**UPPER CUMBERLAND REGIONAL AIRPORT**  
**STATEMENT OF CASH FLOWS**  
**Year ended June 30, 2016**

**Cash flows from operating activities:**

Receipts from customers	\$ 618,748.75
Receipts from other governments	20,440.98
Payments to suppliers	(523,252.90)
Payments to employees	(100,139.87)

**NET CASH PROVIDED BY  
OPERATING ACTIVITIES**

\$ 15,796.96

**Cash flows from noncapital financing -**

Intergovernmental revenues	112,000.00
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**Cash flows from capital and related financing activities:**

Proceeds from grants	\$ 37,234.24
Cash deposited with the state	1,959.71
Proceeds from sale of wetlands mitigation sites	
less expenses of sale	52,400.00
Additions to capital assets	(81,503.28)

**NET CASH PROVIDED BY CAPITAL  
AND RELATED FINANCING ACTIVITIES**

10,090.67

**Cash flows from investing activities:**

Interest received	368.47
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**NET INCREASE IN CASH AND  
CASH EQUIVALENTS**

\$ 138,256.10

Cash and cash equivalents at July 1, 2015	729,883.35
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**CASH AND CASH EQUIVALENTS  
AT JUNE 30, 2016**

\$ 868,139.45

See the notes to financial statements.

**UPPER CUMBERLAND REGIONAL AIRPORT**  
**STATEMENT OF CASH FLOWS**  
**Year ended June 30, 2016**

**Cash and cash equivalents:**

Cash	\$ 740,734.95
Restricted cash	<u>127,404.50</u>
	<u><u>\$ 868,139.45</u></u>

**Reconciliation of Operating Income  
to Net Cash Provided by Operating Activities**

Operating loss		\$ (437,407.99)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation		441,167.35
Bad debts		2,295.00
Changes in current assets and liabilities:		
Decrease in accounts receivable	\$ 10,085.84	
Decrease in inventory	18,370.51	
Increase in prepaid expenses	(3,218.07)	
Decrease in accounts payable	(15,575.22)	
Increase in accrued and withheld taxes	<u>79.54</u>	<u>9,742.60</u>
Net cash provided by Operating Activities		<u><u>\$ 15,796.96</u></u>

**UPPER CUMBERLAND REGIONAL AIRPORT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**Note A - Summary of Significant Accounting Policies**

The accounting policies of the Upper Cumberland Regional Airport conform to generally accepted accounting principals as applicable to governments. Financial statements of the Airport are prepared in conformity with statements of the Governmental Accounting Standards Board. The following is a summary of the more significant policies:

**1. Reporting Entity**

The Sparta-White County Airport Commission was created July 9, 1970 pursuant to Sections 42-321 through 42-325, Tennessee Code Annotated, for the purpose of providing a joint county and municipal airport for Sparta and White County, Tennessee. On April 2, 1993, the Upper Cumberland Regional Airport was established to provide for joint ownership and management of the existing Sparta-White County Airport, in equal shares, by the Cities of Sparta and Cookeville and the Counties of Putnam and White. The seven member board of the Airport is composed of one member appointed by each participating government; the chief executive officer of the participating governmental entities, who will serve, in rotation, for two year, overlapping terms; and a representative from the pilot's committee who is selected by the pilot's committee, subject to the approval of the other members of the board.

**2. Individual Component Unit Disclosures**

There are no legally separate components of the Upper Cumberland Regional Airport which meet the criteria for being reported as part of the primary government by either the blending method or by discrete presentation.

**3. Basis of Accounting**

The Airport uses the accrual method of accounting to prepare its financial statements.

All activities of the Airport are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**UPPER CUMBERLAND REGIONAL AIRPORT**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**June 30, 2016**

**Note A (Cont'd):**

**3. Basis of Accounting (Cont'd)**

The accounting and financial reporting treatment applied to the Airport is determined by its measurement focus. The transactions of the Airport are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operations are included on the statement of net position. Net position (i.e. total assets net of total liabilities) are segregated into net investment in capital assets, restricted for capital activity, and unrestricted components.

When both restricted and unrestricted resources are available for use, it is the Airport's policy to use restricted resources first, then unrestricted resources as needed.

**4. Inventory**

Inventory of fuel and pilot supplies is valued at cost, using the first-in, first-out (FIFO) method.

**5. Capital Assets**

All capital assets are valued at cost and are depreciated over the estimated useful life of the asset using the straight-line method of depreciation. Cost consists of all direct costs related to construction or acquisition of capital assets. Donated capital assets are valued at their estimated fair value on the date donated. Interest costs related to qualified expenditures for projects under development are capitalized.

Maintenance and repairs, which do not significantly extend the value or life of the property, plant, and equipment, are expensed as incurred.

Capital policy for the Airport is items purchased or betterment, not repairs, in excess of \$1,000.00 and having a useful life of one year or more will be capitalized.

**UPPER CUMBERLAND REGIONAL AIRPORT**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**June 30, 2016**

**Note A (Cont'd):**

**5. Capital Assets (Cont'd)**

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Runways, Hangers, Roads, Waterlines	40
Improvements	10
Buildings	20-40
Equipment	10-40

**6. Cash equivalent**

For purposes of the statement of cash flows, all highly liquid investments (including debt-service funds) with a maturity date of three months or less when purchased are considered to be cash equivalents.

**7. Receivables and Revenues**

Operating revenues consist of hanger rent, sale of fuel, intergovernmental revenues, and other miscellaneous income.

Non-operating revenue consists of interest income earned on cash investments.

**8. Expenses**

Operating expenses consist of the costs maintaining the airport facilities, salaries for airport personnel, the cost of fuel for resale and depreciation of the capital assets.

**9. Contributions**

Contributions are recognized in the Statement of Revenues, Expenses, and Changes in Net Assets when earned. Contributions include federal, state and local grants in support of system improvements and contributions from the participating governments.

**UPPER CUMBERLAND REGIONAL AIRPORT  
NOTES TO FINANCIAL STATEMENTS (CONT'D)  
June 30, 2016**

**Note A (Cont'd):**

**10. Net Position**

Net position contains the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net position is classified as net investment in capital assets, restricted for capital activity, and unrestricted net position. Net invested in capital assets, is all capital assets, net of accumulated depreciation and any outstanding debt attributable to the acquisition, construction or improvement of the assets; debt related to unspent proceeds or other restricted cash and investments is not included in this determination. Restricted for capital activity includes net position restricted by external parties such as lenders, grantors, contributors, laws, regulations, and enabling legislation, including self-imposed legal mandates. Unrestricted are the net position that do not meet the definition of net investment in capital assets or restricted for capital activity.

**11. Net position flow assumption**

Sometimes the Airport will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position a flow assumption must be made about the order in which the resources are considered to be applied.

It is the Airport's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

**12. Deferred outflows/inflows of resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.



**UPPER CUMBERLAND REGIONAL AIRPORT**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**June 30, 2016**

**Note A (Cont'd):**

For the year ended June 30, 2016, the Airport has neither a deferred inflow nor outflow of resources.

**13. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, and reported amounts of revenues and expenses during the reporting period. Estimates are used to determine depreciation expense, the allowance for doubtful accounts and certain claims and judgment liabilities, among other accounts. Actual results may vary from those estimates.

**14. Budget**

The Airport's Board must submit an annual operating budget to each participating government on or before April 1 of each year. The total expenditures of the Airport board in any fiscal year will be determined by the budget approved by all of the parties. The Airport's budgetary basis of accounting is consistent with generally accepted accounting principles.

**15. Restricted Assets**

Assets restricted for capital activity represent cash provided by the participating governments and cash deposited with the State of Tennessee as the Airport's matching share of construction grants.

**UPPER CUMBERLAND REGIONAL AIRPORT**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**June 30, 2016**

**Note B** - Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Airport's deposit policy for custodial risk is as follows:

All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool.

The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the district.

Bank balances at June 30, 2016, were \$872,962.55.

**UPPER CUMBERLAND REGIONAL AIRPORT**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**June 30, 2016**

**Note C** – Capital assets activity during the year was as follows:

	Balance at July 1	Additions	Reductions	Balance at June 30
Capital Assets Not Being Depreciated:				
Land	\$ 2,477,204.62	\$ -	\$ 154,620.88	\$ 2,322,583.74
Construction in progress	414,449.61	36,932.83	451,382.44	-
<b>TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED</b>	<b>\$ 2,891,654.23</b>	<b>\$ 36,932.83</b>	<b>\$ 606,003.32</b>	<b>\$ 2,322,583.74</b>
Capital Assets Being Depreciated:				
Runways, Roads and Improvements	\$ 12,023,310.16	\$ 447,019.70	\$ -	\$ 12,470,329.86
Hangers and Buildings	3,557,268.92	4,362.74	-	3,561,631.66
Equipment	1,515,043.69	-	-	1,515,043.69
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED</b>	<b>\$ 17,095,622.77</b>	<b>\$ 451,382.44</b>	<b>\$ -</b>	<b>\$ 17,547,005.21</b>
Less Accumulated Depreciation for:				
Runways, Roads and Improvements	(3,358,426.12)	(308,566.34)	-	(3,666,992.46)
Hangers and Buildings	(1,024,916.60)	(87,915.08)	-	(1,112,831.68)
Equipment	(659,579.16)	(44,685.93)	-	(704,265.09)
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<b>\$ (5,042,921.88)</b>	<b>\$ (441,167.35)</b>	<b>\$ -</b>	<b>\$ (5,484,089.23)</b>
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED, Net</b>	<b>\$ 12,052,700.89</b>	<b>\$ 10,215.09</b>	<b>\$ -</b>	<b>\$ 12,062,915.98</b>
<b>CAPITAL ASSETS, NET</b>	<b>\$ 14,944,355.12</b>	<b>\$ 47,147.92</b>	<b>\$ 606,003.32</b>	<b>\$ 14,385,499.72</b>

Depreciation expense was \$441,167.35.

**UPPER CUMBERLAND REGIONAL AIRPORT**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**June 30, 2016**

**Note D** - The Airport is exposed to various risks related to property and casualty losses. The Airport has decided it is more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for property and casualty coverage. The Airport joined the Tennessee Municipal League Property Pool, which is a public entity risk pool established by the Tennessee Municipal League, an association of member municipalities. The Airport pays an annual premium to the TML Pool for its property and casualty insurance coverage. The creation of the TML Pool provides for it to be self-sustaining through member premiums. The TML Pool reinsures through commercial insurance companies for claims in excess of \$50,000.00 for each insured event.

The Airport continues to carry commercial insurance for its liability coverage. Settled claims from these losses have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Note F** - There were no pending or threatened litigation against the Airport at June 30, 2016, for which the Airport has a potential liability.

## **OTHER FINANCIAL INFORMATION**

**UPPER CUMBERLAND REGIONAL AIRPORT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**  
**Year ended June 30, 2016**

	<u>Program Name</u>	<u>CFDA Number</u>	<u>State Grant Number</u>	<u>Expenditures</u>
<b><u>Federal Awards</u></b>				
<b>FEDERAL AVIATION ADMINISTRATION, DEPARTMENT OF TRANSPORTATION</b>				
	Airport Improvement Program - T-Hanger Construction	20.106	93-555-0149-04	\$ 4,144.58
<b><u>State Awards</u></b>				
<b>TENNESSEE DEPT. OF TRANSPORTATION</b>				
	2015-16 Airport Maintenance	N/A	99-555-1651-04	\$ 25,740.00
	Airside Pavement Rehabilitation	N/A	93-555-0148-04	31,998.00
<b>TOTAL STATE AWARDS</b>				<u>\$ 57,738.00</u>
<b>TOTAL FEDERAL AND STATE AWARDS</b>				<u><u>\$ 61,882.58</u></u>

**Note A - BASIS OF PRESENTATION**

The accompanying Schedule of Grant Activity summarizes the expenditures of the Upper Cumberland Regional Airport under programs of the state government for the year ended June 30, 2016. The schedule is presented using the accrual basis of accounting.

## **COMPLIANCE**

# **ALBERT R. DICUS**

*Certified Public Accountant*

*Member: AICPA; TSCPA*

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## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

### **Independent Auditor's Report**

Board of Commissioners  
Upper Cumberland Regional Airport  
Sparta, Tennessee

I have audited, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Upper Cumberland Regional Airport, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Upper Cumberland Regional Airport's basic financial statements and have issued my report thereon dated March 31, 2017.

### **Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered Upper Cumberland Regional Airport's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of Upper Cumberland Regional Airport's internal control. Accordingly, I do not express an opinion on the effectiveness of Upper Cumberland Regional Airport's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



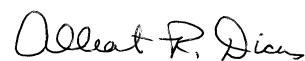
My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Upper Cumberland Regional Airport's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountant

Sparta, Tennessee  
March 31, 2017

**UPPER CUMBERLAND REGIONAL AIRPORT**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**June 30, 2016**

**I: SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of Upper Cumberland Regional Airport.
2. No significant deficiencies were disclosed during the audit of the financial statements.
3. No instances of noncompliance that are required to be reported under *Government Auditing Standards* were disclosed during the audit.

**UPPER CUMBERLAND REGIONAL AIRPORT  
SCHEDULE OF PRIOR YEAR FINDINGS  
June 30, 2016**

No prior year findings.